

# SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Chan, et al. Analyst: Rachel Coco Bill Number: AB 4

Related Bills: See Prior Analysis Telephone: 845-4328 Amended Date: May 15, 2003

Attorney: Patrick Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** PIT Rates/Reinstate Rates of 10% And 11% And Alternative Minimum Tax Rate Of 8.5%

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED

☒ April 3, 2003, STILL APPLIES.

☒ OTHER - See comments below.

## SUMMARY

This bill would reinstate the top personal income tax (PIT) rates of 10% and 11% and the alternative minimum tax (AMT) rate of 8.5%.

## SUMMARY OF AMENDMENTS

The May 15, 2003, amendments removed the \$130,000 and \$260,000 threshold amounts for the 10% and 11% tax rates and replaced them by reinstating the \$100,000 and \$200,000 threshold amounts that were in place for the 1991 taxable year. In addition, these amendments specify that the threshold amounts would be recomputed (indexed) annually for each taxable year beginning on or after January 1, 1992, instead of January 1, 2003.

For taxable years beginning on or after January 1, 2003, the 10% and 11% threshold amounts as recomputed from 1992 would be: \$130,000 and \$260,000 for single, \$260,000 and \$520,000 for married filing joint, and \$140,000 and \$275,000, respectively, for head of household.

The department's analysis of the bill as amended April 3, 2003, still applies. The existing revenue estimate remains unchanged and is included below for convenience.

## POSITION

Pending.

Board Position:

<input type="checkbox"/> S	<input type="checkbox"/> NA	<input type="checkbox"/> NP
<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input type="checkbox"/> N	<input type="checkbox"/> OUA	<input checked="" type="checkbox"/> PENDING

Legislative Director

Date

Brian Putler

5/30/03

## **ECONOMIC IMPACT**

### Revenue Estimate

This bill would result in the following revenue gains:

Revenue Impact (\$ Billions)			
Fiscal Year	2003-04	2004-05	2005-06
Revenue Gain	+2.7	+2.1	+2.4

This estimate does not consider the possible changes in employment, personal income, or gross state product that could result from this bill.

### Revenue Discussion

This amendment would reinstate the 10% and 11% tax rates and the AMT rate of 8.5%. Based on the annual CPI growth since 1992 and using the tax brackets of \$100,000 for single filers, \$200,000 for joint filers, and \$136,115 for head of household, the revenue as stated in the analysis of the bill as amended April 3, 2003, still applies when rounded to the nearest \$100 million.

The first fiscal year, 2003-04, has a higher revenue gain because it includes all of 2003 revenue and only a portion of 2004.

Approximately 410,000 income tax returns would be subject to the 10% and 11% tax rates in the 2003 tax year.

## **LEGISLATIVE STAFF CONTACT**

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